

# ANNEX I

## AUDIT RECOMMENDATIONS Audit of UNHCR Operations in Ethiopia

Rec. no.	Recommendation	Critical <sup>1</sup> / important <sup>2</sup>	Accepted? (Yes/No)	Client comments <sup>3</sup>	Staff Member Responsible	Deadline	Current Status
1	The Office of the High Commissioner should engage the Government of Ethiopia to seek redress for the breaches of the Country Agreement, the Implementing Partner (IP) agreement, and the provisions of the Right of Use Agreements by the Government IP.	Critical	Yes	<p>During missions to Ethiopia of high-level officials of UNHCR as well as on an ongoing basis with the Representation, and in meetings with the Ethiopian delegations to the UNHCR EXCOM sessions, including during the 2012 Session, UNHCR has engaged the Government of Ethiopia to seek redress. The Government of Ethiopia has reassured UNHCR that it is committed to addressing itself to these issues. Constant sustained engagement of ARRA and concerted efforts from UNHCR Offices at all levels and sustained support from relevant divisions in UNHCR HQ will continue in order to address any breaches.</p> <p>In order to continue to address any other outstanding issues in this long-standing relationship, the Representation in Ethiopia has requested a mission of the UNHCR Controller, as a part of the on-going high-level missions to support the Representation in Ethiopia, to engage the Government of Ethiopia on issues raised in the Audit Report that relate to ARRA and other Implementing Partners.</p>	Office of the High Commissioner at Hqs.	31 March 2013	The Deputy High Commissioner (DHC) has paid a visit to Ethiopia Operation from 24 <sup>th</sup> February to 2 <sup>nd</sup> March 2013. As part of his visit, the DHC has discussed with ARRA Director and GoE authorities outstanding issues raised in the Audit report. ARRA and GoE authorities have agreed to take corrective actions in coordination with the UNHCR Representation in Ethiopia.
2	The UNHCR Representation in Ethiopia should <u>implement an action plan</u> to follow up on all recommendations in Implementing Partner (IP) external audit reports, including:	Critical	Yes	The Senior Project Control Officer based in Sub-Office Dollo Ado has been temporarily relocated to the Representation in Addis Ababa pending the reporting of the newly appointed Snr Project control Officer on 1 March 2013. The interim project control officer will establish a plan of action based on the existing UNHCR templates/ instructions/relevant IOM forms ( <b>see attachments 10 and 10 A</b> )	Senior Project Control Officers and Senior Programme Officer	March 2013	With regard to (a), the action has already been agreed in the meeting of the Senior Advisor to the Controller and ARRA, as noted in the Minutes <b>see attachment 1 with eight pages.</b> ARRA has committed to providing the relevant supporting documents and has thus far accounted for some

	<p><u>(a) assessing the validity of commitments</u> reported as expenditures (\$563,000) and unauthorized over-expenditures (\$1.8 million), and <u>recovering unsupported expenditures</u> (\$51,000); and</p> <p>(b) <u>addressing weaknesses</u> identified at all IPs including the weak budget monitoring, procurement and asset controls, and assessing whether to reduce project activities given to IPs in order to <u>reduce risks of loss of financial resources</u>.</p>						<p>USD 228,000.</p> <p>The \$1.8m expenditure relates to the emergency of 2011 for hot meals provided to new arrivals were verified, approved and authorized by UNHCR. The amount was fully paid in 2012 .</p> <p>With regard to (b), Project Control functions have been strengthened with the Project Control Officer posts now filled. The Project Control Officers will review the audit reports of IPs and bring issues to the attention of the IP Selection Committee. As a regular activity but also to address any weaknesses identified in the reports, the first training session will be conducted by 31 March 2013.</p> <p>See the tool that will be used to reduce risks of loss of financial resources in <b>attachment 10 and 10A</b></p>
3	The UNHCR Representation in Ethiopia should <u>develop an action plan</u> to ensure that the Results Based Management Framework defines adequate performance indicators and targets for each of the Implementing	Critical	Yes	The Representation now has adequate staff. As part of its action plan for 2013 ( <b>see attachment number 2</b> ) the Representation organized training for all Implementing Partners, Programme staff and Sector specialists on the Result Based Management framework to understand the requirements and ensure compliance. The training will lead to quality IP agreements with adequate performance indicators and targets for each IP. The training is scheduled for 1 <sup>st</sup> week of January 2013. All	Programme Officer  Senior Programme Officer	Action taken  February 2013	<p>The action plan was developed and implemented. <b>See the action plan in attachment 2</b></p> <p>Baselines and targets have been streamlined and inserted into the 2013 Plan and into the IP agreements that have</p>

	Partner agreements in order to gauge the envisioned level of achievement of UNHCR standards.			<p>Programme staff in Ethiopia were trained between 15-17 January 2013 on RBM and other planning tools. The first IP training ended on 22 February 2013 while the next one is scheduled to take place after the COP is finalized in the first week of April)</p> <p>In addition to the planned training, the 2013 Plan has been updated and baselines and targets have been inserted in FOCUS to upgrade the plan accordingly. All sub agreements were finalized and signed.</p> <p>Further, the quality of data in the baseline system has been improved to support the setting of performance indicators and targets. Sector specialists are also now involved in the finalization of the agreements.</p> <p>Action plan/ time table will be implemented on a yearly basis as follow :</p> <ul style="list-style-type: none"><li>- Proposals from IPs to be received by 31 October;</li><li>- Training for IPs and others on RBM: first week of November;</li><li>- Discussions at Field level by 9 November; entry of information into the system by Mid-November,</li><li>- signing of sub-agreements from Mid-November to Mid-December</li></ul>			been signed.  The first training for IPs ended on 22 February 2013	
4	The UNHCR Representation in Ethiopia should implement an <u>annual monitoring plan</u> that includes: (a) performance monitoring activities that assess the implementing partners' (IPs) performance against agreed targets and work plan; (b) adequate and documented financial monitoring activities; and (c) monitoring of construction activities implemented by IPs.	Important	Yes	a) A <u>mechanism</u> for follow up on performance of Implementing Partners is being carried out. This comprises: (*) the field offices hold meetings on a regular basis and as-needed, (depending on the location) with individual Implementing Partners to review their performance against agreed targets. (*) Branch Office sends out letters to the Implementing Partners on the requirement for submission of reports in a timely manner. (*) Telephone calls are made for constant reminder on the compliance. (*) Following a 2013 detailed budget programming meeting with all IPs, it was agreed that each IP will be submitting a financial report to UNHCR on a monthly	Project Officer	Control	Action taken	(a) Annual Monitoring plan was developed. Minutes of the weekly meetings held at Sub-Offices are being shared with Representation Office at Addis Ababa.
					Project Officer	Control	February 2013	

			<p>basis to facilitate constant monitoring and avoid long delays in receiving the quarterly financial reports.  (*) At the Field level, IPs will meet with UNHCR on a weekly basis which is also a tool of monitoring.</p> <p>b) Financial monitoring visits have been conducted by UNHCR staff to all IPs. This will be strengthened through the introduction of quarterly visits in line with the set reporting calendar as reflected in the IP agreement. A template has also been designed for recording of the periodic financial monitoring visits to ensure documentation of the findings. As regarding the Government Implementing Partner, ARRA, in addition to these monitoring visits, attempts have also been made to involve the Government Auditor General's Office (AGO) to conduct financial audits. These attempts have so far not succeeded as the AGO only audits government funded projects.</p> <p>Further, Project Control Officer positions have been created at key Field Offices and multi-functional teams have also been established in each camp. The multi-functional teams which include sector specialists hold regular meetings and participatory assessments with refugees and IPs to monitor progress of performance against the targets. Partners are also required to submit regular Implementing Partner Financial Reports (IPFRs). Monitoring and assessment of progress continue on a regular basis. The review by the multi-functional teams will not be limited to IPMR but be a regular and continuous review process at all levels, both in the field and in Addis Ababa. The findings and reports of these teams will therefore feed into the IPMR review, thereby not delaying release of installments because of the review process. A template for monitoring progress of performance against the targets was developed. Meanwhile, sector specialists in UNHCR hold meetings with relevant IPs both at Addis Ababa and at the field levels as part of regular monitoring of progress made in the</p>	Senior Programme Officer	January 2013	<p>(b) UNHCR has discussed this issue with the Government Auditor General's Office (AGO); however, the attempts have not been successful.  <b>See Attachment 11.</b></p> <p>UNHCR Ethiopia is following up on having the decision of the AGO put in writing for confirmation.</p> <p>Support has been obtained from headquarters to prepare templates for monitoring of progress . Templates were sent by end of January 2013 to all Sub-Offices for use.  <b>See the template in attachment 3)</b></p>
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5	<p>The UNHCR Representation in Ethiopia should develop an action plan to monitor the distribution of Non-Food Items, including reconciling total numbers between warehouse and distributions, and reporting on distribution site visits and checks conducted by UNHCR staff, and retroactively reconcile distributed numbers to issued totals from the warehouse for both 2011 and 2012 valued in total at \$10 million.</p>	Important	Yes	<p>The action plan for monitoring therefore consists of the following:</p> <ol style="list-style-type: none"> <li>1. Agreement on SOP by end of November 2012</li> <li>2. Implementation from 1<sup>st</sup> January 2013</li> <li>3. Monitoring on a quarterly basis</li> </ol> <p>More specifically, the Representation has established warehouses at the field level. UNHCR prepares a distribution list using the ProGres data base. ARRA uses this list for the actual distribution to the beneficiaries. UNHCR staff members in each camp monitor the distributions and report on the process. Prior to the distribution, UNHCR and ARRA meet with refugee leaders to explain the distribution modalities and secure their participation in monitoring the distribution. At the end of each distribution, reconciliation is made against the delivery from the warehouses. The reconciliation between the warehouse in Addis Ababa and the field level are done in the MSRP. To improve on performance, MSRP training for Supply Staff on Asset Management was conducted between 1-3 October 2012.</p>	Senior Supply Officer	<p>Mid-February 2013</p>	<p>SOPs have been shared with ARRA for comments prior to finalization.</p> <p>The records of assets in MSRP for 2012 are now up to date. Supply Unit will quantify all the items sent to ARRA in 2011 for distribution and request for distribution reports.</p> <p>Inventory exercise was carried out with the support of a mission undertaken by SMS. Please be informed that there was no report on that mission as their work was uploaded into MSRP system. <b>See samples of reconciliation reports in attachment number 6 and 6A</b></p>

				<p>The Representation has initiated retroactive process of verification of the distribution of the NFIs from the Addis Ababa warehouse in October to the field warehouses. A list of items dispatched to date has been circulated to the Field Offices for verification and reverting with distribution details. MSRP has been updated with all the items issued to different field locations as of 30<sup>th</sup> September 2012. All Field Offices are now connected to the internet and staff have been trained in receiving items using MSRP. The ProGres data base is used to prepare distribution lists, and MSRP for issuance of stocks and reconciliation of balances at the warehouse. This process was completed by 31 December 2012; however, a report on physical verification on inventories, comprising an updated stock balance in each location was finalized as of 31<sup>st</sup> September 2012.</p> <p>With the full implementation of MSRP in all Offices the updating of the information in the Asset Management System will be conducted on monthly basis beginning early January 2013.</p>	SMS/ Senior Supply Officer	Dec 2012	<p>All Warehouses stocks were checked.  <a href="#">See a sample of Assossa Operation in attachment number 7</a></p>
6	<p>The UNHCR Representation in Ethiopia should prepare a <u>consolidated procurement plan</u> and assess the <u>efficiency and effectiveness of delegating procurement</u> to implementing partners (IPs) by ensuring that the Local Committee on Contracts review and approve the delegation of authority prior to signing the IP agreements, and take into account the Value Added Tax effect.</p>	Important	Yes	<p>The 2013 consolidated procurement plan (based on Needs Assessments) was completed at the end of November 2012. This plan was reviewed and approved by the Representative prior to implementation which started in January 2013.</p> <p>In order to ensure effective delivery of services to refugees, this procurement plan will be implemented on annual basis and will be reviewed on a quarterly basis</p> <p>A retroactive assessment was also conducted mid-November on procurement delegated to IPs in 2012 with a</p>	<p>Senior Supply Officer</p> <p>Senior Project Control /Senior Programme Officer</p> <p>Senior Supply /Senior Officer</p>	<p>November 2012</p> <p>April August and Dec 2013</p> <p>January 2013</p>	<p>The procurement plans for all PPGs were sent to HQs on 15 January 2013. The consolidated Procurement Plan has been completed.  <a href="#">See attachment number 8</a></p> <p>Ongoing</p> <p>An audit firm to be contracted to conduct an</p>

				<p>view to establishing the amount of VAT and finding options to save money in the future.</p> <p>The Representation had planned to review by end January 2013 all the procurement delegated to IPs in excess of US\$100,000, including the list of pre-qualified IPs for LCC's consideration.</p>	<p>Programme Officer</p> <p>Senior Supply Officer /Senior Programme Officer</p>	<p>End of January</p>	<p>assessment of the VAT for all procurement delegated to IPs in excess of US\$100,000 by end of March 2013.</p> <p>The reviewing exercise is Ongoing . Exercise could not be completed as currently a good number of IPs agreements are limited to 3 to 6 months especially in Dollo and to some extent in Assossa. IP agreements will soon be extended up to Dec2013 as the 2013 IKEA contribution has been received and Issues on MSF-F partnership has been resolved.</p>
7	<p>The UNHCR Representation in Ethiopia should create an <u>action plan</u> to: (a) physically verify all UNHCR assets and inventories and update the asset and inventory records accordingly; and (b) assess, in cooperation with the Bureau for Africa, the risks and costs involved in transferring assets to a government implementing partner, including the non-compliance with the transfer of ownership agreement, and agree on a possible solution.</p>	Important	Yes	<p>The Representation conducts physical verification of all assets on a yearly basis in line with the guidelines provided by the SMS.</p> <p>The physical verification for 2012 has been completed and the MSRP database is now being updated, with the last update completed on 30<sup>th</sup> October 2012 in line with the SMS Instructions.</p> <p>For the current semester, physical verification is underway and the Asset Management Module in MSRP is being updated.</p> <p>The UNHCR Representation in Ethiopia in close cooperation with the Bureau of Africa will assess the risks and the costs involved in transferring assets to Administration for Refugee and Returnee Affairs (ARRA) by 31 March 2013</p>	<p>Senior Supply Officer</p> <p>Senior Supply Officer</p> <p>Ethiopia office and Bureau</p>	<p>October 2012</p> <p>-</p> <p>By 31 March 2013</p>	<p>Physical verification was undertaken by SMS and the Representation Office. Asset Management Module in MSRP was updated accordingly.</p> <p>All UNHCR assets were physically verified. Asset reports are provide evidence.</p> <p>A draft letter to the Ministry of Internal Affairs has been sent to HQ (through the bureau) for the HC signature <b>See attachment 9</b></p>

8	The UNHCR Representation in Ethiopia should implement a plan to ensure full Minimum Operating Security Standards (MOSS) compliance for each of its offices in Ethiopia.	Important	Yes	The UNHCR Representation in Ethiopia in July 2012 conducted a Gap Analysis of items and infrastructure required to ensure MOSS compliance using an Action and Funding Checklist (attached). This is also a summary of gaps based on the biannual reports of 2012 by location. The implementation of these recommendations started in July 2012 and will continue in 2013.	Senior Officer	Admin	Ongoing	Implementation is ongoing. The 2013 Admin approved budget includes planned activities aimed at MOSS compliance in all offices. A UNDSS mission is coming in February 2013 to support this exercise. It is anticipated that UNHCR Ethiopia will be MOSS compliant by 31 March 2013.
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